

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 16-49 Audit Report

Afghan National Army: DOD Has Taken Steps to Remedy Poor Management of Vehicle Maintenance Program



**JULY
2016**

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

Establishing an effective Afghan vehicle maintenance capacity comprised of a mix of organic capacity and contracted logistic support is critical if the Afghan National Army (ANA) is to have a fully operational fleet of vehicles to provide the mobility and protection needed to support its fight against the insurgency. Without such a capability, the ANA will be at a severe disadvantage in waging its counterinsurgency operations.

In December 2010, the Department of Defense (DOD) awarded a 5-year, firm-fixed-price contract, called the ANA Afghanistan Technical Equipment Maintenance Program (A-TEMP), to Afghanistan Integrated Support Services JV (AISS) to develop the ANA's capacity to maintain its growing fleet of more than 26,000 vehicles at a projected cost of nearly \$182 million, not including the cost of supply chain management or spare parts. After 68 modifications, the total obligated amount was increased to \$423 million, and the end of the period of performance was extended from December 30, 2015, to June 28, 2017. According to DOD, both the obligations and period of performance are likely to increase further.

The objectives of this audit were to assess the extent to which (1) the current ANA A-TEMP contract and program were designed to promote the accurate assessment of Afghan vehicle maintenance needs, contractor performance, and cost containment; (2) the U.S. government provided effective management and oversight of contractor performance; and (3) the contract met its program objectives to develop a self-sufficient Afghan maintenance capacity through the performance of maintenance on the ANA vehicle fleet and the training of ANA maintenance personnel.

July 2016

Afghan National Army: DOD Has Taken Steps to Remedy Poor Management of Vehicle Maintenance Program

SIGAR 16-49 AUDIT REPORT

WHAT SIGAR FOUND

In structuring the ANA A-TEMP contract, the Army Contracting Command (ACC) and the Combined Security Transition Command–Afghanistan (CSTC-A): (1) made inaccurate assumptions about the capacity of the Afghans to manage the supply chain and conduct maintenance, (2) underestimated the cost of spare parts, and (3) established performance metrics that did not accurately assess contractor performance or progress towards contract goals. As a result of the inaccurate assumptions about Afghan capacity to conduct supply chain management and perform maintenance, and due to underestimated spare parts costs, the contract costs were significantly higher than originally estimated. A contract modification transferring supply chain management responsibilities from the ANA to AISS shortly after contract award added \$96 million to the contract's cost, and the cost of spare parts has more than doubled over the original estimate of \$30 million, to at least \$61 million. Additionally, the performance metric established by DOD to track contractor performance was ineffective, and, according to DOD officials, will be replaced in the future because it was vague and unenforceable.

Over the course of the ANA A-TEMP contract, the amount and quality of government contract oversight declined due to security concerns, limiting the information available to determine the quality of AISS's performance on the contract. During the first 2 years, security conditions allowed Defense Contract Management Agency–Afghanistan (DCMA-A) quality assurance representatives and contracting officer's representatives (COR) to conduct direct on-site inspections at AISS maintenance and training locations. During this period, AISS was cited by DCMA-A 113 times for failing to fulfill contract requirements. After June 2013, DCMA-A contract oversight reduced significantly due to deteriorating security conditions. As a result, on-site inspections of AISS support to the contract were not supported by the DCMA-A quality assurance representatives and were limited to monthly checklist inspections conducted only by CORs. In March 2015, DCMA-A formally acknowledged the impact of not being able to have quality assurance representatives participate in on-site inspections when it was announced that DCMA-A no longer had the ability to perform quality assurance and property audits and functions at the sites in Afghanistan covered by the ANA A-TEMP contract. On January 6, 2016, contract oversight was transferred to ACC's Contingency Contract Administration Services Expeditionary Contracting Command. Recent DOD efforts to improve the oversight of the ANA A-TEMP contract include giving the U.S. Army's Product Manager for Allied Tactical Vehicles oversight responsibility for the contract and hiring seven additional CORs. DOD has also stated that additional corrective measures will be included in the follow-on National Maintenance Strategy contract scheduled to be awarded in April 2017.

Additionally, SIGAR found that ACC did not use all of the resources available to it to ensure that it only paid AISS for acceptable contract performance, particularly in the initial years of the contract when AISS was issued numerous corrective action requests for failing to meet contract requirements. One option available to DOD to address poor contractor performance is to withhold

payments if the contractor fails to comply with delivery or reporting provisions of the contract. However, this was only undertaken once as of June 2016. DOD did repeatedly warn AISS of possible contract termination if AISS failed to correct its failures to meet contract requirements, but no contract termination actions were ever undertaken.

Another instance where DOD could have but did not take action to reduce costs involved the manner in which AISS was paid for repairing ANA vehicles at the Equipment Maintenance Sites (EMS). AISS was compensated for repairs it made at EMS locations based on the number of vehicles in the ANA vehicle fleet—not on the number of vehicles repaired at the EMSs. Because DOD closed EMS locations in 2013 and 2014, and ANA resisted turning in vehicles for maintenance, the number of vehicles AISS received and repaired declined from a high of 3,072 vehicles in the second quarter of 2012 when all EMSs were open, to a low of 82 in the third quarter of 2015 when only 2 EMSs were open. Payments to AISS based on ANA vehicle density and not vehicles actually repaired resulted in escalating per-vehicle repair costs from a low of \$1,889 when all EMSs were open and vehicle turn-in rate was at its highest, to a high per-vehicle repair cost of \$51,395 when vehicle turn-in rate was at its lowest.

AISS consistently failed to meet ANA A-TEMP contract requirements, contributing to its failure to meet program objectives. While AISS established the contractually required number of EMSs and advisor mentor teams (AMT), it did not always resource the EMSs and AMTs at the levels required by the contract. This resulted in not only the issuance of 113 corrective action requests, but also the issuance of a cure notice in June 2011 and a letter of concern in October 2012. Following the discontinuation of quality assurance representative on-site inspections in June 2013, it was impossible for SIGAR to determine if AISS met and maintained contract performance requirements; however, numerous DOD analyses of the ANA and its capabilities show that the program objectives of the ANA A-TEMP contract have not been met.

Finally, SIGAR found that capacity-building issues endemic to the ANA have contributed to the failure to create an organic Afghan vehicle maintenance capacity. While AISS used AMTs to train the ANA on vehicle maintenance, challenges, such as a low literacy rate in the ANA, poor training attendance, low retention of trained ANA personnel, and a limited pool of ANA managers who possess the skills necessary to manage the supply chain and maintenance shops hindered AISS's efforts. These challenges contributed to the assessment made by DOD that considerable shortfalls continue to exist in the ANA's ability to conduct maintenance and manage the supply chain of its equipment, leading to a significant drop in ANA vehicle operational readiness after the closure of many of AISS's EMSs and AMTs. Furthermore, DOD plans to award an additional 5-year contract focusing on efforts to develop an organic Afghan vehicle maintenance capacity within both the ANA and Afghan National Police. DOD's initial cost estimates for the follow-on contract exceed \$1 billion.

WHAT SIGAR RECOMMENDS

To ensure that any follow-on ANA A-TEMP contract does not repeat the mistakes of the current contract and addresses those conditions that prevented achievement of the original contract goals, SIGAR recommends that the Secretary of Defense, before issuing a new contract:

1. Perform a review of the oversight and execution of the current ANA A-TEMP contract to determine lessons learned and best practices.
2. Ensure that the contract appropriately addresses those conditions that hindered AISS's implementation of contract requirements. Specifically, the contract should establish:
 - a. Objectives that adequately consider the challenges the Afghans face in managing a vehicle maintenance program, and that define expectations for contractor participation in vehicle maintenance and capacity building.
 - b. Metrics to monitor and assess contractor performance, including specific instructions on how and when the contractor is to measure and report progress.

DOD concurred with both recommendations and noted that it has begun to take steps to address the contract administration and oversight deficiencies identified in the report. SIGAR applauds DOD's initial steps to improve its contracting and oversight of the current contract, and apply those lessons in the upcoming National Maintenance Strategy contract.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 26, 2016

The Honorable Ashton B. Carter
Secretary of Defense

General Joseph L. Votel
Commander, U.S. Central Command

General John W. Nicholson, Jr.
Commander, U.S. Forces–Afghanistan and
Commander, Resolute Support

Major General Richard G. Kaiser
Commander, Combined Security Transition Command–Afghanistan

Major General James E. Simpson
Commanding General, U.S. Army Contracting Command

This report discusses the results of our audit of the Department of Defense's (DOD) Afghan National Army (ANA) Afghanistan Technical Equipment Maintenance Program (A-TEMP), a program designed to maintain ANA vehicles and to develop an organic vehicle maintenance capacity within the ANA.

We are making two recommendations to DOD. First, we recommend that the Secretary of Defense, before issuing a new contract, perform a review of the oversight and execution of the current ANA A-TEMP contract to determine lessons learned and best practices. Second, we recommend that the Secretary of Defense ensure that the contract appropriately addresses those conditions that hindered Afghanistan Integrated Support Services JV's implementation of contract requirements. Specifically, we recommend that the contract establish (1) objectives that adequately consider the challenges the Afghans face in managing a vehicle maintenance program, and that define expectations for contractor participation in vehicle maintenance and capacity building; and (2) metrics to monitor and assess contractor performance, including specific instructions on how and when the contractor is to measure and report progress.

We provided a draft of this report to DOD for comment. DOD, through the Office of the Assistant Secretary of Defense, provided written comments, which are reproduced in appendix II. DOD concurred with both recommendations and noted that it has begun to take steps to address the contract administration and oversight deficiencies identified in the report. Additionally, DOD provided technical comments, which we incorporated into this report, as appropriate.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with generally accepted government auditing standards.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

TABLE OF CONTENTS

Introduction.....	1
Background.....	1
Poor Contract and Program Design Increased Costs and Impacted Program Effectiveness	3
Insufficient U.S. Government Oversight Led to Possible Waste.....	6
ANA A-TEMP Program Did Not Meet Its Objectives Due to AISS's Inability to Meet Contract Requirements and Other Issues	11
Conclusion.....	14
Recommendations	15
Agency Comments	15
Appendix I - Scope and Methodology	16
Appendix II - Comments from the Department of Defense	18
Appendix III - Acknowledgments	20

FIGURES

Figure 1 - Number of ANA Vehicles Turned into EMSs and Repaired at EMSs (by Calendar Year Quarter).....	10
Figure 2 - Average Repair Cost per Vehicle (by Calendar Year Quarter).....	11

ABBREVIATIONS

ACC	Army Contracting Command
AISS	Afghanistan Integrated Support Services JV
AMT	Advisor Mentor Team
ANA	Afghan National Army
A-TEMP	Afghanistan Technical Equipment Maintenance Program
CAR	Corrective Action Request
COR	Contracting Officer's Representative
CSTC-A	Combined Security Transition Command–Afghanistan
DCMA-A	Defense Contract Management Agency–Afghanistan
DOD	Department of Defense
EMS	Equipment Maintenance Site
FST	Forward Support Team
PdM-ATV	Product Manager for Allied Tactical Vehicles

INTRODUCTION

A key U.S. objective in Afghanistan has been to build the Afghan government's capacity to provide for its own security by training and equipping the Afghan National Defense and Security Forces, which consist of the Afghan National Army (ANA) and the Afghan National Police. Through 2010, the Department of Defense (DOD) focused on building up the ANA to take over fighting the insurgents, and more recently, on developing the ANA capacity to maintain the U.S.-procured \$6.5 billion vehicle fleet used in these military operations. Establishing an effective Afghan vehicle maintenance capacity comprised of a mix of organic capacity and contracted logistic support is critical if the ANA is to have a fully operational fleet of vehicles to provide the mobility and protection needed to support its fight against the insurgency. Without such a capability, the ANA will be at a severe disadvantage in waging its counter insurgency operations.

In December 2010, DOD awarded the 5-year firm-fixed-price ANA Afghanistan Technical Equipment Maintenance Program (A-TEMP) contract to Afghanistan Integrated Support Services JV (AISS)¹ to perform maintenance required to ensure high operational readiness rates of ANA vehicles, while developing the ANA's organic capacity to maintain its growing fleet of more than 26,000 vehicles at a cost of nearly \$182 million, not including the cost of supply chain management or spare parts.² The ANA A-TEMP contract was set to expire on December 30, 2015, but has been extended until at least June 28, 2017. As of January 2016, the ANA fleet had grown to approximately 31,000 vehicles.

The objectives of this audit were to assess the extent to which (1) the current ANA A-TEMP contract and program were designed to promote the accurate assessment of Afghan vehicle maintenance needs, contractor performance, and cost containment; (2) the U.S. government provided effective management and oversight of contractor performance; and (3) the contract met its program objectives to develop a self-sufficient Afghan maintenance capacity through the performance of maintenance on the ANA vehicle fleet and the training of ANA maintenance personnel.

To accomplish these objectives, we reviewed and analyzed the vehicle maintenance base-year contract and modifications, and contract and performance evaluation files. We analyzed Defense Contract Management Agency–Afghanistan (DCMA-A) oversight reports that contracting offices representatives (COR) submitted, and reviewed quality assurance plans and reports. Additionally, we visited an AISS equipment maintenance facility in Pul-e Charki in Kabul where we interviewed AISS personnel and validated processes for conducting vehicle maintenance and advisor mentor team training. We conducted our audit work in Washington, D.C., and Kabul, Afghanistan, from November 2014 to July 2016, in accordance with generally accepted government auditing standards. A more detailed discussion of our scope and methodology is in appendix I.

BACKGROUND

The Combined Security Transition Command–Afghanistan (CSTC-A), through the Defense Security Cooperation Agency, requested that U.S. Army Security Assistance Command establish a foreign military sales case to provide vehicle maintenance support and training for the ANA. This foreign military sales case resulted in the Army Contracting Command (ACC)-Rock Island awarding AISS the ANA A-TEMP contract on December 30,

¹ AISS is a joint venture between ANHAM FZCO and AECOM. ANHAM FZCO is a Dubai-based contracting company that combines trade, contracting, and logistics entities and strategic management expertise, in addition to a vast range of technical experts in several major industries. AECOM is a provider of professional technical services and management support services to both public- and private-sector clients.

² DOD had previously awarded a \$237.2 million firm-fixed-price contract to Pacific Architects and Engineers, Inc. to provide vehicle maintenance, apprenticeship training, and supply chain management services to the ANA. This contract expired on December 19, 2010.

2010, with a base year and options for 4 additional years.³ This 5-year contract, originally valued at a fixed price of nearly \$182 million, increased to \$423 million due to contract modifications adding supply chain management services and spare parts procurement, and contract extensions to June 28, 2017.

The primary objectives of the ANA A-TEMP contract were to (1) provide apprenticeship equipment maintenance, training equipment maintenance, and supply chain management support to transition the ANA to a self-sustaining organic Afghan vehicle maintenance capacity by the end of the contract period; and (2) achieve a high level of vehicle operational readiness. To accomplish these two objectives, the contract required that AISS maintain ANA vehicles and train ANA personnel on how to maintain these vehicles. Specifically, AISS was required to provide general level maintenance at fixed equipment maintenance sites (EMS) on vehicles the ANA brought them to repair,⁴ while ANA mechanics would perform preventive or simpler repairs, called organization level maintenance, at their units.⁵

Each of the EMSs, located at various Afghan Logistics Battalions and Regional Logistics Support Commands, were to have 40 to 60 AISS personnel performing the general level maintenance on ANA vehicles. While the contract required that ANA personnel bring their vehicles to EMSs, the contract also required that AISS establish mobile maintenance contact teams to deploy from the EMSs to fix vehicles at other ANA locations when ANA personnel were unable to transport their vehicles to the EMSs.⁶ Finally, the contract required Forward Support Teams (FST) to provide surge maintenance capability to reduce any backlogs of broken equipment.⁷ The contract specified that AISS was to establish eight EMSs, two fixed Air Corps EMS, two mobile maintenance contact teams at each EMS, and one FST. Due to later contract modifications, by May 2014, the number of EMSs had been reduced to only two, before AISS remobilized seven sites in August 2015.

The ANA A-TEMP contract also required AISS to establish advisor mentor teams (AMT), consisting of six personnel using on-the-job training to teach ANA personnel how to conduct the simpler, organization level vehicle maintenance.⁸ The AMTs were also tasked with training the ANA in supply procedures and broken vehicle recovery operations. The contract specified that AISS establish 23 AMTs, 9 abbreviated AMTs,⁹ and 1 specialty AMT¹⁰ that would be embedded with ANA units. Later modifications reduced requirements to only 3 AMTs, before increasing the number of AMTs to 16 following the remobilization of EMS locations in 2015.

Contract Oversight Structure

DOD planned on using numerous organizations to perform contract oversight and quality assurance. The ANA A-TEMP Quality Assurance Surveillance Plan, dated June 10, 2010, described how the contracting officer,

³ The contract number is W52P1J-11-C-0015.

⁴ General level maintenance is conducted throughout Afghanistan. The EMSs, which are staffed by contractor personnel, conduct in-depth troubleshooting, testing, and diagnosis of ANA vehicles to include repairs to major assemblies, such as engines and transmissions.

⁵ Organization level maintenance involves preventive maintenance checks and services, minor repairs, adjustments, and quick replacement of parts, such as starters, radiators, alternators, tires, and brakes.

⁶ Contact teams consist of two vehicle maintenance technicians and a 2.5-ton maintenance truck stocked with tools, common parts, consumables, and other parts required for scheduled and pre-established repairs to provide organizational level maintenance support.

⁷ FSTs are comprised of a nine-person team: one supervisor, two supply specialists, and six mechanics.

⁸ Each six-member team was to have a shop lead, two supply specialists, and three maintenance specialists.

⁹ An abbreviated AMT is a three-person advisor mentor team assigned to commando-type maintenance shops, or other higher-level maintenance organizations. The team consists of a shop lead, a supply specialist, and a maintenance specialist.

¹⁰ A specialized AMT is a six-person advisor mentor team assigned to specialized organizations and units, such as the supply depot in Kabul. The team consists of a lead and five supply specialists.

through the use of CORs,¹¹ was to measure contractor performance against the ANA A-TEMP performance work statement CSTC-A developed and how contractor quality assurance monitoring would be conducted. On January 5, 2011, the ACC-Rock Island procuring contracting officer delegated administrative contracting officer responsibilities to DCMA-A, which then became responsible for day-to-day oversight, guidance, and direction of the contractor in accordance with the Federal Acquisition Regulation.¹² A February 2011 DCMA-A theater quality plan provided guidance and direction to the DCMA-A workforce for the oversight and assistance necessary to administer the ANA A-TEMP contract. For example, the plan called for DCMA-A quality assurance representatives, along with the assigned CORs, to monitor contractor performance and perform contract oversight. Additionally, the CSTC-A Training Program Support Office was stood up to provide additional in-country oversight. On April 27, 2015, the DOD contracting office responsible for the ANA A-TEMP contract was transferred from ACC-Rock Island to ACC-Warren, and the Product Manager for Allied Tactical Vehicles (PdM-ATV) office was given program oversight responsibilities for the ANA A-TEMP contract in April 2015.

In December 2013, we released the results of our financial audit, performed by Mayer Hoffman McCann P.C., on \$31.9 million in AISS costs incurred under the contract. Mayer Hoffman McCann reported four internal control deficiencies and five instances of noncompliance with the terms of the contract or applicable regulations, which prompted the auditors to question \$2.7 million in unsupported costs.¹³

POOR CONTRACT AND PROGRAM DESIGN INCREASED COSTS AND IMPACTED PROGRAM EFFECTIVENESS

In structuring the ANA A-TEMP contract, DOD, specifically ACC and CSTC-A: (1) made inaccurate assumptions about the capacity of the Afghans to manage the supply chain and conduct maintenance, (2) underestimated the cost of spare parts, and (3) established performance metrics that did not accurately assess contractor performance or progress towards contract goals. As a result, ANA A-TEMP costs were significantly higher than originally contracted.

ANA Logistics Capabilities Were Overstated In the Original Contract

ACC originally structured the ANA A-TEMP contract based on CSTC-A's assumption that the ANA had the capability to provide spare parts when and where they were needed, and that the ANA was capable of performing higher-level maintenance tasks, even though it had ample evidence that such capabilities did not exist. As a result, the ANA A-TEMP contract was modified only 2 months after contract award to address supply chain management needs, and a separate contract was awarded to address higher-level maintenance backlogs. According to Federal Acquisition Regulation, a fixed-price contract is appropriate when there is reasonable information on conditions and possible causes that could affect final costs.¹⁴ Once the ANA A-TEMP contract began, it became apparent that the assumption that the ANA logistics management structure could operate independently was incorrect.

To illustrate, prior to the issuance of the ANA A-TEMP contract, the draft February 26, 2010, performance work statement that detailed the contractors' responsibilities required the ANA A-TEMP contractor, not the ANA, to be in charge of all supply chain management. However, in the draft April 2010 performance work statement, CSTC-A removed this performance work statement requirement and shifted supply chain management

¹¹ CORs are military or civilian DOD personnel that manage and oversee contracts by acting as the eyes and the ears of DOD's contracting officers, and by serving as the liaisons between the contractor, the contracting officer, and the unit receiving support or services.

¹² Federal Acquisition Regulation Part 42.

¹³ SIGAR, *Department of Defense Program to Support the Afghan National Army's Technical Equipment Maintenance Program: Audit of Costs Incurred by Afghan Integrated Support Services*, SIGAR Financial Audit 13-7, December 2, 2013.

¹⁴ Federal Acquisition Regulation Subpart 16.2.

responsibility to the ANA in an attempt to develop ANA capabilities. The revised September 10, 2010, performance work statement—the performance work statement on which the awarded contract was based—specified that the ANA Logistical Command would be responsible for managing all vehicle repair parts for the ANA A-TEMP contract and that the contractor would order spare parts from the ANA logistics system. According to ANA A-TEMP contract documents, the U.S. government believed that the ANA had the capacity to provide supply chain management services when it modified the performance work statement to give the ANA supply chain management responsibilities.

By mid-February 2011, less than 2 months after the ANA A-TEMP contract was awarded, CSTC-A reported that the ANA supply chain management system was inadequate to handle the supply chain for the ANA vehicle fleet and requested that AISS assume this responsibility. In communication in response to CSTC-A's request to modify the ANA A-TEMP contract, ACC noted that the ANA was “clearly NOT ready” (emphasis contained in the original) to take over supply chain management responsibilities.¹⁵ AISS took over supply chain management responsibilities in July 2011 and was also charged with developing a supply chain management system that could be transitioned to the ANA. The modified contract made AISS responsible for purchasing sufficient levels of spare parts, on a cost reimbursable basis, to meet the operational maintenance demands at all EMS and ANA unit locations, and increased the cost of the ANA A-TEMP contract by \$96 million as of January 2016.

In a second instance of CSTC-A overestimating the maturity of ANA capabilities, the September 10, 2010, performance work statement stated that the ANA would perform national support-level repairs, or time-consuming repairs that require the use of machine tools, test equipment, heavy lifting, and specialized facilities at the National Depot support sites located in Kabul.¹⁶ These higher-level maintenance operations included rebuilding individual components, overhauling components and major assemblies, and overhauling complete equipment. According to a previous contracting officer, AISS had performed some higher-level maintenance at its EMS sites, to include engine rebuilds, but in November 2011, a COR informed the company that this work was outside of the scope of the contract. Following this decision, AISS ceased all higher-level maintenance, which resulted in an accumulation of unrepaired major components and assemblies at EMS locations. Between October 2012 and April 2013, AISS and the contracting officer had a series of disagreements as to whether higher-level maintenance functions were included in the ANA A-TEMP scope of work. To remedy this situation, ACC officials began searching for another contractor to conduct these repairs. In December 2014, ACC awarded these higher-level maintenance responsibilities to Automotive Management Services FZE, a contractor that had previously performed similar vehicle maintenance on the Afghan National Police fleet. Automotive Management Services FZE was paid \$7.1 million to repair major assemblies on ANA vehicles between December 30, 2014, and December 29, 2015.

CSTC-A's September 2010 assessment of the maturity of the ANA logistic capabilities, including supply chain management, was in contradiction with official DOD assessments. Specifically, two DOD assessments of the Afghan Ministry of Defense's logistic capabilities submitted to Congress in April 2010 and November 2010 rated all Afghan Ministry of Defense national logistic organizations as “cannot accomplish mission without significant coalition assistance.”¹⁷ The April 2010 assessment stated that the ANA logistics capability is “traditionally one of the ANA's weaker areas”¹⁸ and that “for the next few years, the ANA will continue to rely on [North Atlantic Treaty Organization Training Mission]/CSTC-A for enablers to support their fielding and sustainment requirements until both the logistics system and funding are put in place.”¹⁹ The November 2010 report noted continuing challenges and stated “sustaining functional development, while simultaneously

¹⁵ Internal ACC communication, February 14, 2011.

¹⁶ Performance work statement dated September 10, 2010 (Paragraph 1.9).

¹⁷ DOD, *Report on Progress Toward Security and Stability in Afghanistan*, April 28, 2010, p. 101; and DOD, *Report on Progress Toward Security and Stability in Afghanistan*, November 2010, p. 23.

¹⁸ DOD, *Report on Progress Toward Security and Stability in Afghanistan*, April 28, 2010, p. 109.

¹⁹ DOD, *Report on Progress Toward Security and Stability in Afghanistan*, April 28, 2010, p. 110.

supporting [counterinsurgency] operations, will remain a challenge for ... the ANA.”²⁰ Almost 3 years later, in its December 2015 report to Congress, DOD reported similar challenges, noting that the ANA faced difficulty sustaining its vehicles because of an immature supply chain management system, a lack of spare parts, and the lack of advanced repair capability.²¹

DOD Underestimated Spare Parts Needs

DOD underestimated the cost of the spare parts needed to support the ANA A-TEMP contract. The original ANA A-TEMP contract specified that AISS would order all necessary spare parts from the ANA, and that spare part procurement was a part of the ANA’s supply chain management responsibilities. However, in May 2011, AISS assumed responsibility for spare part procurement when it assumed all supply chain management responsibilities.²² According to DOD contracting officials, during this transition they did not formally calculate spare parts costs, but rather inserted a \$6 million annual “plug,” which amounted to \$30 million in spare parts cost for 5 years. However, we found this “plug” cost number to be based on bad data. According to DOD officials, the spare parts “plug” was based on historic data, available spares on hand, and expected requirements. However, our October 2013 audit of CSTC-A’s spare parts purchasing procedures found that CSTC-A placed orders for spare parts for ANA vehicles without accurate information as to what parts were needed or already in stock.²³ Furthermore, program officials in Afghanistan informed us that DOD trend data likely understated the need for spare parts by the ANA since it conducted limited preventive maintenance, resulting in an increased need for spare parts more often. Additionally, DOD failed to account for increased demand caused by the harsh Afghanistan environment and the inexperienced ANA vehicle operators.

Further, the original estimate did not consider AISS’s practices of replacing entire major component and assembly parts on vehicles that had sustained only minor damage and using its parent company—ANHAM FZCO—to supply spare parts. AISS’s use of ANHAM FZCO may have raised costs. Specifically, a September 12, 2012, DCMA-A Contractor Purchasing System Review found that there were systemic weaknesses in ANHAM FZCO’s purchasing practices and that the company failed to meet criteria for an acceptable purchasing system, exposing the government to the risk of increased contract cost. According to ACC-Warren, all factors combined resulted in a doubling of spare part costs from an estimated \$30 million to \$61.8 million through December 30, 2015.

Contract Performance Metric Did Not Accurately Assess Contractor Performance or Progress toward Contract Objectives

The Federal Acquisition Regulation states that contracting officers are responsible for “including in solicitations and contracts the appropriate requirements for the contractor’s control of quality for the supplies or services to be acquired,”²⁴ meaning that contracts should contain performance metrics that accurately track contractor performance. The ANA A-TEMP contract’s performance metric required that AISS keep the ANA vehicle fleet at a 90 percent operational readiness rate. Essentially, AISS was to ensure at least 90 percent of the ANA vehicle fleet was operationally ready at any given time, while controlling replacement parts and repair costs. The April 2010 performance work statement created prior to contract award stated that the rate would be calculated based on the entire ANA vehicle fleet minus non-mission capable vehicles that needed repairs, minus vehicles that were non-mission capable because of the inability to provide spare parts, and was to be reported on a

²⁰ DOD, *Report on Progress Toward Security and Stability in Afghanistan*, November 2010, p. 30.

²¹ DOD, *Enhancing Security and Stability in Afghanistan*, November 24, 2015.

²² Performance work statement dated May 19, 2011 (Paragraph 3.5.1).

²³ SIGAR, *Afghan National Army: Combined Security Transition Command-Afghanistan Lacks Key Information on Inventory in Stock and Requirements for Vehicle Spare Parts*, SIGAR 14-3-AR, October 16, 2013.

²⁴ Federal Acquisition Regulation Part 46.1.

daily basis.²⁵ However, the formula was changed in the September 2010 performance work statement—the same performance work statement that was used in the executed contract. The updated formula stated that the rate would be based on the operational readiness of the total fleet, minus vehicles that were non-mission capable because they needed repairs, removing the requirement to count vehicles that were non-mission capable due to supply issues of government furnished parts.

However, this performance metric, which AISS argued was the only clearly defined and measureable standard in the contract on which they could be evaluated, was written in such a way that it led to inaccurate measurements of the contractor's performance and the operational readiness of the ANA vehicle fleet the contract supported. Further diluting the accuracy of the reported operational readiness rate, the updated rate formula stated that the rate should be based solely on vehicles waiting for, or in, maintenance at the EMS locations—a universe smaller than the fleet-wide assessment stipulated in the earlier performance work statement.

The change in the formula used to calculate the operational readiness rate likely resulted in an overstatement of the readiness of the ANA vehicle fleet. This conclusion is borne out when comparing AISS reported rates to rates reported in other DOD assessments. To illustrate, DOD's December 2014 Afghan National Security Forces–Logistics Information Paper reported that the operational readiness rate for the ANA fleet of High Mobility Multipurpose Wheeled Vehicles had never been over 90 percent, and that it then stood at 57 percent; at the same time, AISS's quarterly report stated that the operational readiness rate for all vehicles was over 95 percent.²⁶ Furthermore, the sharp decline in the number of vehicles turned in for repairs painted an inaccurate assessment of the actual condition of the fleet as a decline in vehicle turn-ins does not necessarily mean that fleet vehicles are in operating condition. To illustrate, the number of vehicles AISS repaired peaked at 3,078 in the second quarter of 2012, but dropped to a low of 82 in the third quarter of 2015 as a number of EMSs closed. Since the operational readiness rate calculation is based largely on the number of vehicles unavailable due to maintenance, the declining vehicle turn-in rate meant that it was nearly guaranteed that AISS would meet the 90 percent rate metric on which its contract performance was measured.

In June 2016, DOD officials stated that they agreed that the ANA A-TEMP contract performance metric was vague and unenforceable. In response to a draft of this report, DOD officials stated that the 90 percent rate metric was replaced in June 2016 by a new metric that tracks whether AISS is meeting a threshold of completing 80 percent of open work orders within 15 calendar days of creation.

INSUFFICIENT U.S. GOVERNMENT OVERSIGHT LED TO POSSIBLE WASTE

DOD's oversight of the ANA A-TEMP contract was reduced during the contract's period of performance and may have been ineffective. Furthermore, DOD failed to use all available remedies to address failing contractor performance and allowed the cost per vehicle repaired to rise significantly.

DOD Reduced Oversight of the ANA A-TEMP Contract

Over the course of the ANA A-TEMP contract, the amount and quality of government contract oversight declined, limiting the information available to determine the quality of AISS's performance. As discussed above, DOD delegated contract administration functions to DCMA-A. DCMA-A served as the in-country representative to oversee contract activities and ensure that the contractor's supplies and services were delivered on time, at projected cost, and met all performance requirements. DCMA-A quality assurance

²⁵ Vehicles are non-mission capable maintenance when they are not operational due to maintenance needs. Vehicles are non-mission capable supply when they are not operational because they are awaiting repair parts.

²⁶ High Mobility Multipurpose Wheeled Vehicles inventory makes up the second largest part of the ANA vehicle fleet.

representatives, along with the CORs, were responsible for monitoring contractor performance.²⁷ According to DOD, this was done to lower oversight risk by having both quality assurance representatives and CORs monitor performance through in-country performance reviews and the issuance of corrective action requests (CAR) to the contractor that identified performance deficiencies. The DCMA-A quality assurance representatives were the only officials able to identify performance deficiencies and issue CARs highlighting the performance issue. Additionally, the quality assurance representatives were responsible for approving AISS actions or corrective action plans necessary to correct the deficiencies found in the CARs.

During the first 2 years of the contract period, security conditions allowed DCMA-A quality assurance representatives and CORs to conduct direct on-site inspections at AISS EMSs and AMTs.²⁸ During this period, when AISS failed to meet contract requirements, quality assurance representatives issued CARs to AISS. DCMA-A quality assurance representatives issued AISS 113 CARs documenting its failure to fulfill contract requirements through June 2013. These CARs cited AISS for shortages in the supply of technical manuals in Dari, diagnostic equipment, specialized tooling, and translators at AISS sites, among other issues. According to DOD's contract oversight records, during the initial years of the contract, AISS did not meet all contractual requirements and their corrective actions appeared only marginally effective or were not fully implemented. However, in June 2013, DCMA-A leadership prohibited quality assurance representatives from traveling to the AISS sites to conduct inspections due to security concerns. Following this prohibition, AISS did not receive any more CARs, and CORs were responsible for on-location quality assurance oversight.

After June 2013, ANA A-TEMP oversight consisted of monthly COR inspections of ANA A-TEMP locations, if security conditions permitted. A COR stated that these inspections generally lasted 2 hours or less, during which the COR followed a simple DCMA-A checklist that focused on collecting high-level quantitative information, such as the presence of required technical manuals, as opposed to more detailed qualitative information included in DCMA-A inspections. In 2014, DCMA-A attempted to improve the quality of the inspection checklists to solicit more specific quantitative data as well as more qualitative information. For example, while the original checklists simply noted items or processes to be reviewed, the revised checklists included directions as to what documents to review and what to look for in each document. It was anticipated that with this added information, the checklists could provide a more detailed analysis of contractor performance through the creation of a "more 'paint by the numbers' approach for inexperienced auditors," as described in a document detailing the updated checklist. However, even the modified checklist contained oversight weaknesses. For example, neither the current COR on-site inspection checklist nor the AISS performance work statement compliance officer checklist requires an assessment of ANA vehicle operational readiness rates—the key indicator used to assess program success. Additionally, when conditions did not allow the CORs to perform on-site inspections, they conducted remote desk audits, or a simple review of that month's contractor performance based on telephone and e-mail correspondence with the contractor.

The DOD Inspector General and the Government Accountability Office have both criticized oversight which solely relied on COR inspections. A DOD Inspector General report noted, and DCMA-A officials agreed, that relying solely on CORs for ANA A-TEMP on-site inspections diminished contact oversight due to a lack of trained and qualified CORs.²⁹ Additionally, both offices have criticized DCMA-A oversight of the CORs and the quality of the COR checklist inspections done in Afghanistan. For example, a Government Accountability Office report found that COR training did not "fully prepare them to perform their contract oversight duties in contingency areas such as Afghanistan" and that they "do not always have the necessary subject area-related technical

²⁷ Quality assurance representatives are responsible for surveillance of contractor performance, provide technical input to the administrative contracting officer in all quality assurance matters, train contractor officer representatives, provide and review audit checklists, and issue corrective action requests to contractors for contractual non-conformances.

²⁸ To provide adequate oversight for the geographically dispersed A-TEMP work, CSTC-A established a full-time primary COR supported by six full-time assistant CORs in each geographic region/regional command.

²⁹ DOD Inspector General, *DOD Needs to Improve Oversight of the Afghan National Police Training/Mentoring and Logistics Support Contract*, DODIG-2-13-093 (Washington, D.C.: June 25, 2013).

expertise to oversee U.S. Central Command contracts they were assigned to.”³⁰ Furthermore, internal DOD reports on the ANA A-TEMP contract noted oversight deficiencies. A July 19, 2011, internal Army report that included a top-level review of the ANA A-TEMP contract concluded that, based on conversations with CSTC-A Training Program Support Office personnel, COR training was either not available or inadequate, meaning the CORs were not sufficiently trained to provide proper contract oversight.³¹ According to DCMA-A officials, they saw the need to improve COR training in 2012. However, in a June 2013 report, the DOD Inspector General found that DCMA-A personnel did not coordinate oversight with program or contracting officials, implement quality assurance requirements considered critical for mission success, review oversight documentation, or properly train CORs.³² In January 2015, DCMA-A developed additional training for CORs in an attempt to improve the quality of their oversight of the ANA A-TEMP contract.

In March 2015, DCMA-A announced that it no longer had the ability to perform quality assurance and property audits and functions at the ANA A-TEMP sites in Afghanistan. On January 6, 2016, oversight of the ANA A-TEMP contract was delegated to ACC’s Contingency Contract Administration Services Expeditionary Contracting Command Afghanistan with guidance that a continuous on-ground government oversight was needed to ensure contract compliance. According to DOD’s response to a draft of this report, in addition to the five full-time civilian CORs that were hired in November 2015, then trained and deployed to Afghanistan to provide additional oversight, two additional CORs were hired in May 2016 and were expected to deploy to Afghanistan by July 2016. According to this same response, this additional oversight will supplement the existing two part-time military CORs and will allow for increased travel and support to ANA A-TEMP locations.

In response to a draft of this report, DOD stated that improvements to contract requirements and type can help reduce some identified issues, but that oversight will continue to be a challenge until security in Afghanistan improves. According to DOD’s response to a draft of this report, PdM-ATV has implemented procedures to supplement site visits with COR reviews of the data provided by the contractor and other sources in order to track how well the contractor is meeting operational needs, to help mitigate contracting risks by identifying contracting issues, and to help find solutions in a timely manner. According to the DOD response, the results of this effort, and on-site inspections, will help to identify programmatic solutions that can be implemented in both the current and future contracts.

DOD Did Not Demand AISS Repay Funds for Failure to Meet Contract Metrics or Adjust the Contract to Reflect Work Performed

DOD did not use all of the resources available to it to ensure that it only paid AISS for acceptable contract performance, particularly in the initial years of the contract when AISS was issued numerous CARs for failing to meet contract requirements. Specifically, the contracting officers could have, but did not, avail themselves of available options to recover costs. For example, the Federal Acquisition Regulation and DOD guidance provide the contracting officer several remedies to address a contractor’s failure to meet contract requirements, including terminating the contract and withholding payments.³³ Furthermore, the ANA A-TEMP contract specifically cited termination for default as an option should AISS not comply with contract provisions. To that end, DOD repeatedly warned AISS of possible contract termination if the company failed to correct its

³⁰ GAO, *Operational Contract Support: Management and Oversight Improvements Needed in Afghanistan*, GAO-12-290 (Washington, D.C.: March 29, 2012).

³¹ Report from the U.S. Army Security Assistance Training Organization/U.S. Army Security Assistance Command/U.S. Army Material Command, *Afghan National Army Life Cycle Sustainment Support Assessment*, July 19, 2011.

³² DOD Inspector General, *DOD Needs to Improve Oversight of the Afghan National Police Training/Mentoring and Logistics Support Contract*, DODIG-2-13-093 (Washington, D.C.: June 25, 2013).

³³ Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense (Acquisition Technology & Logistics), *Contracting Officer’s Representative Handbook*; Federal Acquisition Regulation 52.249-2, Termination for Convenience of the Government (Fixed-Price); and Federal Acquisition Regulation 52.249-8 Default (Fixed-Price Supply and Service).

deficiencies, but never proceeded with any contract termination actions. According to contracting office officials, it was likely that termination was not pursued due to the length of time it was projected to take to re-compete the ANA A-TEMP contract. According to an internal DOD email dated October 2, 2012, officials estimated that it would take almost a year to re-compete the ANA A-TEMP contract and have a new contractor begin operations.³⁴ Additionally, according to the Defense Procurement and Acquisition Policy (Acquisition Technology & Logistics), Contracting Officer Representative Handbook, the other option available to a contracting officer to address poor contractor performance is to withhold payments if the contractor fails to comply with delivery or reporting provisions of the contract; however, only limited action was taken in this regard.³⁵

We found a number of instances where DOD could have demanded, but did not demand, repayment for services not rendered or inadequate services rendered. First, AISS did not always provide the staff and equipment that the contract required at the EMSs and AMTs, yet it still received full payment. Over the first half of the contract period, AISS established the 10 EMSs and 23 AMTs as the contract required, but failed to provide the number of required staff and equipment at each location. For example, each AMT was required to have six personnel but AISS did not always fully staff those positions at all AMTs early in the contract. In a June 2011 letter from the contracting officer to AISS, one AMT was found to lack a site leader, five AMTs were found to be missing a maintenance specialist, two AMTs were found to be missing a supply specialist, one AMT was found to be missing two maintenance specialists, one AMT was found to be missing two supply specialists, and one AMT was found to be missing three supply specialists. In another example, AISS was cited for not providing repair manuals translated into Dari and did not always provide specialty tools as the contract required. While DOD repeatedly warned AISS that it was not properly fulfilling contract terms, the contracting officer never requested a repayment for non-performance, and only once de-obligated contract funds because AISS had not provided the required AMT staff. In this case, during the first contract year, the contracting officer de-obligated \$2,333,518 for the months of April, May, and June 2011, because AISS failed to establish 12 of the 23 AMTs required by the contract. Apart from this single instance in the first contract year, ACC never again sought to reduce payments to AISS or reclaim funds from AISS.

Second, DOD may have overpaid AISS for repairing ANA vehicles at the EMSs. While the ANA A-TEMP contract was a firm-fixed-price contract, AISS was compensated for its repairs done at EMS locations based on the number of vehicles in the ANA vehicle fleet, rather than based on the number of vehicles that were actually repaired by AISS. It was expected that the ANA vehicle fleet would grow over the life of the ANA A-TEMP contract, and payments to AISS were increased as the size of the Afghan vehicle fleet increased. As the size of the Afghan fleet increased, in order to meet the 90 percent operational readiness rate, AISS would have to increase the number of vehicles repaired each quarter. The contract assumed that AISS's repair level of effort would increase as the vehicle fleet expanded and AISS repaired more vehicles at the EMSs, when in fact, according to AISS data, only approximately half of the ANA vehicle fleet was ever repaired at an EMS. As discussed earlier, because DOD closed 6 EMS locations in 2013 and 2014, and the ANA resisted turning in vehicles for maintenance, the number of vehicles AISS repaired declined even further. So, while the number of AISS repaired vehicles fell from a peak of 3,078 in the second quarter of 2012, to a low of 82 in the third quarter of 2015, payments to AISS increased on a per vehicle basis over this time period.

While the ANA A-TEMP contract did not contain specific clauses allowing for the reduction in payments due to a reduction in vehicles repaired, DOD did concur with our prior recommendations to reduce payments to contractors due to a decline in vehicle fleet size. Specifically, our audit of the Afghan National Police A-TEMP contract for the maintenance of the Afghan National Police vehicle fleet found that costs paid to maintain vehicles should not be based solely on the Afghan National Police vehicle fleet size, given that many of the

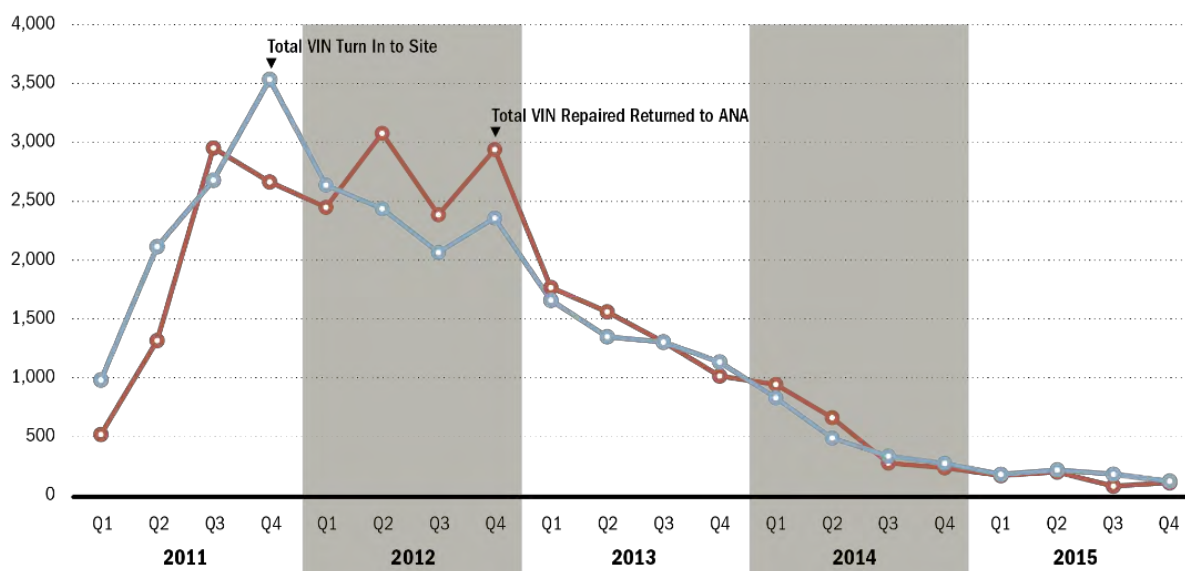
³⁴ Internal communication between the Army and ANA A-TEMP contracting officer, October 2, 2012.

³⁵ Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary Defense (Acquisition Technology & Logistics), Contracting Officer's Representative Handbook.

vehicles may not ever be repaired by the contractor.³⁶ That audit found that approximately \$6.8 million was spent from April 2011 to September 2012 for Afghan National Police vehicles that had either been destroyed or had not received maintenance for more than a year. We recommended, and DOD concurred, that the number of Afghan National Police vehicles supported by the contract should be revised downward, so as to reduce the likelihood that the vehicle maintenance contractor would be paid based on a fleet size that includes vehicles that had been destroyed or had not been repaired for a significant period of time. DOD has since reduced the Afghan National Police vehicle fleet that the contractor was to support and has seen a corresponding decline in contractor costs.

Similarly, AISS is paid for its operation of EMS locations to conduct general level vehicle maintenance according to a calculation based on vehicle fleet size, despite repairing declining numbers of vehicles and inspecting only half the ANA fleet. Figure 1 shows the sharp reduction in the number of vehicles turned into EMSs and the number of vehicles repaired at the EMSs. This decline corresponds to the closure of numerous EMSs, as noted above. However, because the ANA A-TEMP contract did not pay AISS based on the amount of repair work done, AISS was paid the same for each EMS no matter how much repair work was actually done at the EMS.

Figure 1 - Number of ANA Vehicles Turned into EMSs and Repaired at EMSs (by Calendar Year Quarter)



Source: SIGAR analysis of AISS vehicle repair information

Note: A vehicle identification number (VIN) is a code used to identify an individual vehicle as a VIN is unique to each vehicle.

From July to September 2011, AISS used eight EMS repair sites and two Air Corps EMSs to maintain and repair 2,953 vehicles. Per the ANA A-TEMP contract's density list at that time, the contractor was authorized to repair up to a total of 26,999 ANA vehicles, at an average cost of \$5,580,347 per quarter for calendar year 2011, the contract's base year.³⁷ From July to September 2015, the contractor was authorized to repair up to 31,999 ANA vehicles. However, during this same time period, due to the U.S. government decision to close EMS locations, AISS operated only two EMS repair sites and repaired only 82 vehicles, at an average cost of

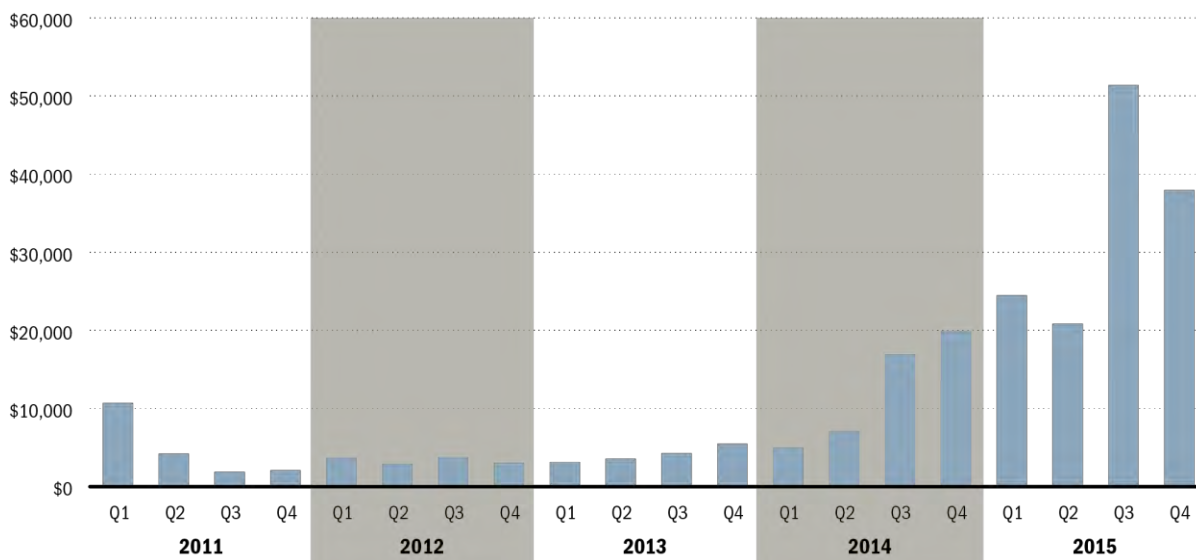
³⁶ SIGAR, *Afghan Police Vehicle Maintenance Contract: Actions Needed to Prevent Millions of Dollars from Being Wasted*, Audit 13-3, January 17, 2013.

³⁷ The average costs we calculated include costs directly attributed to operate an EMS, as well as costs directly related to the maintenance of ANA vehicles including supply chain management, insurance, and contact teams.

\$4,214,404 per quarter for calendar year 2015. According to DOD's response to a draft of this report, the contract modification issued in August 2015 that remobilized six of the closed EMS locations, and later added a seventh site, increased contract costs due to the costs associated with AISS reestablishing the sites, purchasing tools and parts, establishing security, developing life support, and hiring maintenance personnel. During this ramp-up period, costs increased without an increase in the number of vehicles repaired until the sites were fully established and reopened to receive work. This resulted in increasing unit costs for vehicles repaired at the EMSs when AISS was repairing fewer and fewer ANA vehicles.

Because DOD did not reduce payments even as the number of vehicles repaired at the EMSs declined, per-vehicle repaired costs increased dramatically. Costs rose from a low of about \$1,889.72 per vehicle from July through September 2011 of the contract's base year, to a high of approximately \$51,395.18 per vehicle from July through September 2015, the contract's fourth option year. According to DOD's response to a draft of this audit, PdM-ATV reported increases in the number of vehicles repaired by AISS since the re-establishment of the closed EMS sites, with AISS repairing 630 vehicles in the first quarter of 2016 and 648 in the second quarter of 2016; this nonetheless reflects continued relatively low overall vehicle repair activity. According to this same response, as AISS further develops relationships with supporting ANA units, DOD expects that the number of repaired vehicles will continue to increase with a corresponding reduction in average repair cost per vehicle. Figure 2 details the average cost per vehicle repaired through December 2015.

Figure 2 - Average Repair Cost per Vehicle (by Calendar Year Quarter)



Source: SIGAR analysis of AISS vehicle repair information and contract costs

ANA A-TEMP PROGRAM DID NOT MEET ITS OBJECTIVES DUE TO AISS'S INABILITY TO MEET CONTRACT REQUIREMENTS AND OTHER ISSUES

The objectives of the ANA A-TEMP program to establish a self-sustaining Afghan vehicle maintenance capacity and have an operationally ready fleet of vehicles have not been met. Contractor performance, DOD's decision to close EMS sites, as well as continued limitations in ANA capacity contributed to the ANA A-TEMP contract not meeting its objectives. While the ANA has developed the capacity to conduct lower-level maintenance tasks, retention of trained maintainers remains problematic, and the Afghan supervisory capacity to manage the

supply chain and repair shops has not been developed. These issues have led to DOD considering another follow-on A-TEMP contract at an estimated cost of more than \$1 billion.

AISS Repeatedly Did Not Meet Contract Requirements

AISS's deficiencies, some of which were discussed earlier in this report, as well as the closure of EMS sites by DOD, greatly limited the effectiveness of the contract. We recognize that because of limited DOD oversight during the second half of the contract period, it is difficult to specifically determine where AISS did, or did not, meet contract requirements needed to achieve the program's organic capacity and readiness objectives. Nevertheless, available contract information, and internal DOD reports, strongly indicate that on the whole, AISS repeatedly did not meet contract requirements and had a limited impact on improving the ANA's capabilities to repair and maintain its fleet.

For example, the ANA A-TEMP contract specified how many EMSs and AMTs were to be established and the personnel and equipment that were required to support them. AISS did establish the 10 required AISS-supported EMSs to conduct general level repairs on ANA vehicles, and AISS eventually established the 23 required AMTs to conduct on-site on-the-job organization level maintenance training to build capacity at the ANA unit locations.³⁸ However, as previously stated, AISS did not always resource the EMSs and AMTs at the levels required by the contract, resulting in DCMA-A's quality assurance representatives issuing 113 CARs from the start of the contract until June 2013. In addition to the CARs, DOD issued a cure notice to AISS on June 9, 2011, identifying numerous instances of poor contract performance, and threatening contract termination if AISS did not meet contract requirements.³⁹ Following the cure notice, AISS acknowledged its shortcomings, noting steps it would take to address the performance issues and setting December 2011 as a target date for full compliance. However, performance issues persisted, and the contracting officer issued AISS a letter of concern on October 10, 2012, for not meeting the requirements outlined in the performance work statement, including failing to hire site managers with sufficient experience. The letter concluded that AISS was not performing in accordance with the contract's performance work statement and that its performance was directly reflected in the ANA's poor maintenance capabilities in many regions of Afghanistan.

According to DCMA-A officials, quality assurance representatives ceased all on-site inspections in June 2013; because of this, it is impossible for us to determine if AISS met and maintained contract performance requirements after that time. However, DOD officials have stated, and DOD analyses have shown, that the objectives of the ANA A-TEMP contract have not been met. Specifically, at an October 2014 meeting, DOD officials expressed concerns about the readiness of the Afghan ground equipment and questioned whether the ANA A-TEMP contract had developed an organic ANA maintenance capacity to sustain the equipment as planned. In December 2014, the International Security Assistance Force reiterated this in an Essential Function 5: Sustainment⁴⁰ information paper, which reported that the ANA organic vehicle maintenance capacity had not been established nor was the capability that existed robust enough to continue absent AISS support.⁴¹ Finally, an October 2015 DOD brief noted that ANA operational readiness rates had been steadily declining, dropping more than 30 percent following the closure of six EMSs in 2013 and 2014. As a result of the declining fleet readiness rate throughout 2014, DOD decided to re-open six EMS locations at a cost of \$7.8

³⁸ On-the-job organization level training for ANA maintainers was performed by teams of AISS advisor mentor teams at the ANA units. This was not classroom training, which was determined to not be effective for the largely illiterate ANA soldiers, but training on the shop floor, where AISS personnel observed and instructed the ANA maintainers as they conducted maintenance operations.

³⁹ A cure notice is issued by the government to inform the contractor that the government considers the contractor's failure a condition that is endangering performance of the contract. The cure notice specifies a period for the contractor to remedy the condition. If the condition is not corrected within this period, the cure notice states that the contractor may face the termination of its contract for default.

⁴⁰ International Security Assistance Force, now Resolute Support, focuses on training, advising and assisting Afghan National Defense and Security Forces development in eight Essential Functions. Essential Function 5: Sustainment focuses on supply and maintenance.

⁴¹ International Security Assistance Force Essential Function 5: Sustainment, *Information Paper*, December 18, 2014, p. 1.

million for the period of August through December 2015. According to DOD officials, a seventh EMS was re-opened in November 2015.

ANA Capacity-Building Issues Contributed to the Failure of the ANA A-TEMP Contract

Capacity-building issues endemic within the ANA also contributed to the failure of the ANA A-TEMP contract. An analysis of a limited number of ANA vehicle maintenance capability assessments, a review of the ANA A-TEMP contract files, and discussions with DOD personnel indicate that weaknesses in the ANA vehicle maintenance capabilities not only contributed to the failure of the A-TEMP contract, but remain.

A July 2011 assessment⁴² emphasized that the extremely low ANA student literacy rate impeded the effectiveness of the lecture-style classroom training at the central workshop employed by PAE Government Services, Inc. under a separate ANA maintainer training contract from the ANA A-TEMP contract.⁴³ The report concluded that the maintenance training observed at the unit level was ineffectual and that student retention from the lecture-style training was much lower than from hands-on training. Furthermore, the report noted that cultural practices, which required extended absences from classroom training every day, limited training to only 5 or 6 hours per day, which in turn affected trainers' ability to provide necessary information. Finally, the 2011 assessment noted ANA deficiencies in conducting supply chain management and warehouse operations. While AISS used advisor mentor teams embedded in Afghan battalions to conduct on-the-job training, low literacy rates and cultural differences also hindered their ANA maintenance training efforts. CSTC-A Training Program Support Office officials were aware of these and other program challenges, including poor attendance at training, low retention rates of trained ANA personnel, and a limited pool of ANA managers who possessed the skills necessary to manage the supply chain and maintenance shops.

A 2012 DOD Inspector General report and a December 2014 assessment done by a DOD team of subject matter experts found similar ANA weaknesses.⁴⁴ DOD's Inspector General identified the lack of (1) tracking data for spare parts usage, (2) a professional logistics corps, and (3) personnel experienced in planning for logistical needs. DOD's Inspector General also found a significant gap between the growing ANA personnel strength and the ANA's ability to logistically support its field operations. A DOD subject matter expert team assessment documented numerous obstacles to establishing an organic Afghan vehicle maintenance capacity that included a lack of a professional logistics corps for both supply and maintenance, and weakness in ANA life cycle management capability as a result of the absence of a dedicated command and control structure.

A December 2014 Resolute Support information paper concluded that the ANA continued to experience considerable shortfalls in its ability to maintain equipment and manage the supply chain.⁴⁵ This paper discussed how these shortfalls had led to critical capability gaps that impacted operational readiness and combat power. A September 1, 2015, Transportation Systems Project Manager at ACC-Warren briefing paper discussed the progress in the development of the ANA's vehicle maintenance capabilities and identified continuing capacity development challenges.⁴⁶ These challenges included DOD's inability to influence and change the culture of rampant corruption, language barriers, an immature ANA supply system, and a lack of repair parts accountability. Finally, according to CSTC-A's response to SIGAR's April 2016 quarterly data call,

⁴² Report from the U.S. Army Security Assistance Training Organization/U.S. Army Security Assistance Command/U.S. Army Material Command, *Afghan National Army Life Cycle Sustainment Support Assessment*, July 19, 2011.

⁴³ After December 2013, additional contract options for this contract were not renewed.

⁴⁴ DOD Inspector General, *Assessment of U.S. Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army*, DODIG-2012-028 (Washington, D.C.: December 9, 2011); and Office of the Secretary of Defense, Acquisition Technology & Logistics/Logistics and Material Readiness sponsored report in Support to CSTC-A International Security Assistance Forces EF5.0: "Developing A Demand-Based Supply and Life Cycle Management Process for the Afghan National Security Forces," December 2014.

⁴⁵ International Security Assistance Force Essential Function 5: Sustainment, *Information Paper*, December 18, 2014, p. 1.

⁴⁶ Project Manager Transportation System, *National Maintenance Strategy Industry Day*, September 1, 2015.

CSTC-A specifically acknowledged the ANA had a shortage of approximately 600 trained mechanics, a challenge that will impact the development of their organic maintenance capacity and readiness rates.

\$1 Billion May Be Required to Continue DOD Support to ANA and Afghan National Police Vehicle Maintenance

The December 2014 International Security Assistance Force Essential Function 5: Sustainment information paper noted that the ANA continued to suffer gaps in vehicle readiness, accountability, maintenance management, and supply chain management, and that these gaps affected the ANA's ability to prepare for and execute military operations.⁴⁷ In recognition of the need to provide immediate support to the ANA, DOD extended the ANA A-TEMP contract until June 28, 2017.

DOD plans to competitively award a follow-on contract for both ANA and Afghan National Police vehicle maintenance based on the National Maintenance Strategy that DOD is developing with the Afghan government. The principle objectives of the new contract are to develop long-term vehicle maintenance capacity within the Afghan security forces and improve near term operational readiness of ANA and Afghan National Police vehicles. According to DOD's response to a draft of this report, the planned contract will replace the AISS ANA A-TEMP contract; separate contracts that support a variety of other vehicles, including the Mobile Strike Force Vehicle and the Mine-Resistant Ambush Protected vehicle; and the contract providing ground vehicle maintenance support to the Afghan National Police on a cost plus basis. This contract is expected to provide support to the Afghan security forces for up to another 5 years. However, according to DOD, the contract can be modified based on the extent to which the ANA's need for contractor support declines as its maintenance capabilities develop, which would help reduce cost over time. The planned contract will cover both the ANA and Afghan National Police vehicle fleets, and is expected to focus on training, maintenance, and supply chain management. The contract is projected to be awarded in April 2017, performance is expected to begin by June 2017, and the program is projected to be fully operational by August 2017. DOD's early cost estimates for the follow-on contract indicate it will likely exceed \$1 billion if the contract is kept in place for the full 5 years as currently planned.

CONCLUSION

The failure of AISS to meet its most basic contract requirements and program objectives, and DOD's inaction to correct contractor deficiencies and seek repayment of funds, has resulted in not only the waste of U.S. taxpayer funds but in the need for a new maintenance contract that is projected to cost more than \$1 billion over the next 5 years. However, not providing this needed assistance would adversely impact the ability of the Afghan military to meet its counterinsurgency objectives and run counter to U.S. policy objectives. Despite these policy imperatives, committing more funds without performing an analysis to identify the deficiencies from the ANA A-TEMP contract would not only be imprudent, but it would likely contribute to further waste. Such an analysis should address the shortcomings in the ANA A-TEMP's contract design, where realistic assessments of ANA capabilities were ignored, and where metrics to evaluate contractor performance were incalculable. Moreover, while recognizing the difficulty in providing oversight in a contingency environment with a limited number of personnel, the shortcomings of DOD's oversight of contractor performance were so significant in the case of this contract that, if not addressed in connection with future maintenance contracts, they could undermine any further efforts to develop the Afghan military's fleet maintenance and supply chain management capabilities.

Based on a review of our draft report and an internal assessment, DOD has begun to make improvements in the management and oversight of the ANA A-TEMP contract. Specifically, DOD has hired additional CORs to provide contract oversight, has increased the number of EMS sites from two to nine, and added new metrics to

⁴⁷ International Security Assistance Force Essential Function 5: Sustainment, *Information Paper*, December 18, 2014, p. 1.

the contract in order to hold the contractor more accountable for vehicle maintenance. DOD has reported that it is committed to holding AISS accountable for maintaining vehicles to standards and for providing meaningful training to ANA soldiers. However, the lessons learned from the mismanagement of the ANA A-TEMP contract must be identified and institutionalized to prevent similar waste in the future.

RECOMMENDATIONS

To ensure that any follow-on A-TEMP contract does not repeat the mistakes of the current contract and addresses those conditions that prevented achievement of the original contract goals, we recommend that the Secretary of Defense, before issuing a new contract:

1. **Perform a review of the oversight and execution of the current ANA A-TEMP contract to determine lessons learned and best practices.**
2. **Ensure that the contract appropriately addresses those conditions that hindered AISS's implementation of contract requirements. Specifically, the contract should establish:**
 - a. **Objectives that adequately consider the challenges the Afghans face in managing a vehicle maintenance program, and that define expectations for contractor participation in vehicle maintenance and capacity building.**
 - b. **Metrics to monitor and assess contractor performance, including specific instructions on how and when the contractor is to measure and report progress.**

AGENCY COMMENTS

We provided a draft of this report to DOD for comment. DOD, through the Office of the Assistant Secretary of Defense, provided written comments which are reproduced in appendix II. Additionally, DOD provided technical comments, which are incorporated in this report, as appropriate.

DOD concurred with both recommendations and noted that it has begun to take steps to address the contract administration and oversight deficiencies the report identified. We applaud DOD's initial steps to improve its contracting and oversight in the current contract and applying those lessons in the upcoming National Maintenance Strategy contract.

APPENDIX I - SCOPE AND METHODOLOGY

This report provides the results of SIGAR's review of contract number W52P1J-11-C-0015 awarded to Afghanistan Integrated Support Services (AISS) to provide vehicle maintenance services for the Afghan National Army (ANA) portion of the Afghanistan Technical Equipment Maintenance Program (A-TEMP). The objectives of this audit were to assess the extent to which (1) the current ANA A-TEMP contract and program were designed to promote the accurate assessment of Afghan vehicle maintenance needs, contractor performance, and cost containment; (2) the U.S. government provided effective management and oversight of contractor performance; and (3) the contract met its program objectives to develop a self-sufficient Afghan maintenance capacity through the performance of maintenance on the ANA vehicle fleet and the training of ANA maintenance personnel.

To determine the extent to which the contract and program were designed to promote the accurate assessment of Afghan vehicle maintenance needs, contractor performance and cost containment, we interviewed officials from the U.S. Army Contracting Command (ACC), Defense Contract Management Agency–Afghanistan (DCMA-A), Combined Security Transition Command–Afghanistan (CSTC-A), Training Program Support Office, Resolute Support's Essential Function 5, AISS, and the ANA to determine the how the contract was designed. Furthermore, we examined the base contract, modifications, performance work statement, and other contract documents contained in the Army's paperless contract file to determine the contract performance requirements. We also reviewed DCMA-A files related to their oversight of AISS support to the contract.

To determine the extent to which the U.S. government provided effective management and oversight of contractor performance, we interviewed DCMA-A officials and reviewed and analyzed records in the paperless contract file of the contract oversight of the ANA A-TEMP contract by their quality assurance representatives and additional oversight provided by the contracting officer's representatives (COR). We also interviewed officials from CSTC-A and the Training Program Support Office who provided additional in-country program management oversight of the contract. Furthermore, we interviewed contracting officials at ACC-Rock Island and ACC-Warren ANA A-TEMP contracting offices. Finally, we interviewed CSTC-A and Resolute Support officials to understand the issues surrounding contract oversight and other challenges to conducting on-site inspections of AISS support to the contract.

To determine the extent to which AISS met its contract objectives to provide vehicle maintenance, training, and development of a self-sufficient Afghan organic maintenance capacity, we requested and analyzed AISS provided information on ANA vehicle turn-in rates, AISS repair rates, vehicle operational readiness rates, and other data related to AISS's support to the contract's maintenance sites and training component. We also reviewed CSTC-A vehicle density lists and contract documentation contained in the paperless contract file which documented Department of Defense concerns about AISS support to the contract, including corrective action reports, the letter of concern, and the cure notice. Additionally, we interviewed CORs and officials from ACC, CSTC-A, Afghan National Defense and Security Forces–Logistics, Resolute Support–Logistics, DCMA-A, Training Support Program Office, ANA, and AISS about their current assessment of the status of the ANA organic vehicle maintenance capacity. Finally, we conducted a site visit to an AISS equipment maintenance site in Pul-e Charki in Kabul to observe the vehicle maintenance process.

We used computer-processed data from AISS to calculate unit costs for vehicle maintenance under the contract. Specifically, we determined which contract costs were directly attributable to maintenance for each quarter and divided this total cost by the number of vehicles AISS reported as repaired in the same quarter. Without corroborating evidence, the vehicles tracked and reported by AISS provided the only approximation of total vehicles maintained by AISS available for this audit. We did not perform a test of reliability on the vehicle maintenance data because we had no other sources with which to validate the data. We assessed internal controls to determine the extent to which DOD had systems in place to track and report ANA vehicle maintenance. The results of our assessment are included in the body of the report.

We conducted our audit work in Washington, D.C., and Kabul, Afghanistan, from November 2014 to July 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was performed by SIGAR under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

APPENDIX II - COMMENTS FROM THE DEPARTMENT OF DEFENSE



ASIAN AND PACIFIC
SECURITY AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2700 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2700

The Honorable John Sopko
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, 9th Floor
Arlington, VA 22202

July 25, 2016

Dear Mr Sopko:

Enclosed please find the Department of Defense (DoD) response to the draft audit, "Afghan National Army: DoD Has Taken Steps to Remediate Poor Management of Vehicle Maintenance Program." After careful review, DoD concurs with the report's two recommendations and will take appropriate action to ensure the weaknesses in oversight SIGAR identified are remedied and not repeated in current and future contracts supporting the Afghan forces (see enclosure).

I am also pleased to report that based on an internal DoD review informed by SIGAR's draft audit and feedback from your audit team, DoD has already taken significant actions to correct the key concerns identified in your report. Specifically, the contract has been modified to include metrics that require the joint venture of ANHAM and AECOM to complete 80 percent of work orders within a 15 day period from initiation. In addition, the U.S. Army's Product Manager for Allied Tactical Vehicles (PdM ATV) has been assigned program oversight responsibility for the current Afghan Army and Police maintenance contracts and the planned follow-on single national maintenance contract. PdM ATV has hired seven Contracting Officer Representatives (CORs) who are now inspecting worksites and reviewing contractor performance. Weekly conferences are also being held to review contractor performance with the Contracting Officer, CORs, and Combined Security Transition Command – Afghanistan to ensure that problems with the contract are quickly identified and addressed.

DoD welcomes the opportunity to remain engaged with SIGAR to perform effective oversight and ensure US taxpayers' money is spent wisely on sustainment of Afghan forces in support of our national objectives in Afghanistan.

Sincerely,

Jedidiah P. Royal
Deputy Assistant Secretary of Defense (Acting)
Afghanistan, Pakistan, and Central Asia

1 Encl
as

ENCLOSURE

“Afghan National Army: DoD has Taken Steps to Remediate Poor Management of Vehicle Maintenance Program”

DOD submits the following responses to the three recommendations made to the Secretary of Defense in this report:

1. Recommendation 1:

Perform a review of the oversight and execution of the current ANA A-TEMP contract to determine lessons learned and best practices.

DoD Response:

Concur. Using the insights provided by this audit, the appropriate organizations will continue to review oversight and execution of the current ANA A-TEMP contract. DoD will ensure U.S. Army Contracting Command – Warren (ACC-Warren) and Product Director, Allied Tactical Vehicles (PdM ATV) and other key stakeholders apply lessons learned from this audit in the development of the national maintenance contract that is expected to be awarded in 2017.

2. Recommendation 2:

Ensure that the contract appropriately addresses those conditions that hindered AISS implementation of contract requirements. Specifically, the contract should establish:

a. Contract objectives that adequately consider the challenges that Afghans face in managing a vehicle maintenance program, and that define expectations for contractor participation in vehicle maintenance and capacity building.

DOD Response:

Concur. DOD will ensure challenges in developing Afghan organic maintenance capacity are addressed, including by defining expectations for the contractor's role in performing maintenance while building Afghan capacity and properly delineate this role from the institutional development that must be performed by U.S. and other coalition advisors.

b. Metrics to monitor and assess contractor performance, including specific instructions on how and when to the contractor is to measure and report progress.

DOD Response:

Concur. Production metrics have recently been revised in the current ANA A-TEMP contract. Most notably, the contractor is now required to complete eighty percent of work orders it receives within a 15 day period. However, DoD acknowledges the need to further develop metrics and reporting systems to evaluate the quality of training and other tasks to hold the contractor accountable.

APPENDIX III - ACKNOWLEDGMENTS

Christopher Borgeson, Senior Program Manager

Jerry Clark, Senior Auditor

Neha Desai, Senior Program Analyst

This performance audit was conducted
under project code SIGAR-101A.

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

Public Affairs

Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202